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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS
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WILLIAM A. MUNDELL
JEFF HATCH-MILLER
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KRISTIN K. MAYES

AZAR CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, L.L.C. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER SERVICE
IN COCONINO COUNTY, ARIZONA.

DOCKET NO. WS-04235A-04-0073

IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, L.L.C. FOR AUTHORITY
TO ISSUE PROMISSORY NOTE(S) AND
OTHER EVIDENCES OF INDEBTEDNESS
PAYABLE AT PERIODS OF MORE THAN
TWELVE MONTHS AFTER THE DATE OF
ISSUANCE.

DOCKET NO. WS-04235A-04-0074

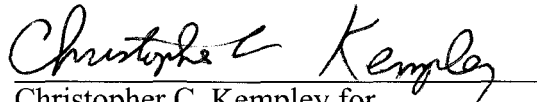
STAFF'S STATEMENT
OF POSITION

On November 5, 2004, the Presiding Administrative Law Judge issued a Procedural Order in this matter, directing Staff to submit a statement of position on certain matters relating to this docket no later than November 22, 2004. The issues on which a statement of position was requested are as follows: (1) which properties are properly included in Phase I based on the October 19, 2004 PAD issued by ADWR; whether the ADEQ Approvals of Construction submitted on October 27, 2004, when taken in conjunction with the Approvals previously submitted and introduced as evidentiary exhibits at hearing, satisfy Staff's recommendation No. 6; and, (3) whether the October 7, 2004 letter from ADEQ satisfies Staff's recommendation that Utility Source provide evidence that the truck stop has been reclassified as a community water system.

Staff hereby submits its Statement of Position on these issues. Regarding issue number one: attached to this memorandum is a copy of a Memorandum received from ADWR, dated November 10, 2004, which Memorandum describes the property included in Phase I under the PAD issued by ADWR. Regarding issue number two: it is Staff's understanding that certain of the Approvals to

1 Construct have been withdrawn by ADEQ. Staff has inquired of ADEQ as to whether the
2 withdrawals have been waived. We have not received a response to the inquiry from ADEQ. In the
3 absence of confirmation from ADEQ to the effect that the withdrawals have been waived, Staff's
4 recommendation is not met. Staff will supplement this Statement of position as soon as we receive a
5 response from ADEQ. Finally, with regard to item number three: the October 7, 2004 letter from
6 ADEQ does satisfy Staff's recommendation that the truck stop has been reclassified as a community
7 water system.

8 **RESPECTFULLY SUBMITTED** this 22nd day of November, 2004.
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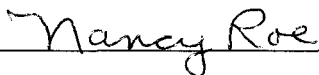
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11 Christopher C. Kempley for
12 Timothy J. Sabo
13 Attorney, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
17 (602) 542-3402

18 The original and thirteen (15) copies
19 of the foregoing were filed this
20 22nd day of November, 2004 with:

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Copies of the foregoing were mailed this
26 22nd day of November, 2004 to:

27 Richard L. Sallquist
28 Sallquist & Drummond, P.C.
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85252

29 
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ARIZONA DEPARTMENT OF WATER RESOURCES

MEMORANDUM

TO: Doug Dunham, Manager
Office of Assured and Adequate Water Supply

FROM: Alan R. Dulaney

DATE: November 10, 2004

RE: **FLAGSTAFF MEADOWS**

An application for a Physical Availability Demonstration (PAD) has been approved by the Department. The PAD application was initiated by the developer of three subdivisions in the Bellemont area west of Flagstaff in Coconino County. The subdivisions include Flagstaff Meadows Units I and II and Townhomes at Flagstaff Meadows. Single-family residences are planned for the first two, and townhomes will be built in the last subdivision. The developer has proposed a new water provider, Utility Source LLC, and has made an application to the Arizona Corporation Commission (ACC) for a Certificate of Convenience and Necessity (CC&N) for Utility Source LLC.

Included in the PAD were Flagstaff Meadows Unit I, which contains 133 lots, Flagstaff Meadows Unit II, which contains 87 lots, and Townhomes at Flagstaff Meadows, which contains 105 lots. Also included in the PAD was the commercial area of Bellemont Travel Center, including the hotel, restaurant, truck stop, and various ancillary features. The three residential subdivisions are located in Township 21 North, Range 5 East, Section 1, while the Bellemont Travel Center is located in Township 22 North, Range 5 East, Section 36, of the Gila and Salt River Baseline and Meridian, Coconino County, Arizona.